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C O N F I D E N T I A L SECTION 01 OF 02 JEDDAH 000146

SIPDIS

DEPT FOR EEB/TRA/AN (FINSTON); NEA/ARP (HARRIS)

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TAGS: [FAIR](#) [ECON](#) [PREL](#) [KTIA](#) [SA](#)

SUBJECT: SAUDIS READY TO NEGOTIATE OPEN SKIES AGREEMENT

REF: A. STATE 07670

[1](#)B. FINSTON/KANAREK JANUARY 27 EMAIL

[1](#)C. 2005 STATE 97534

Classified By: CG Martin R. Quinn for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: On April 15, in response to SAG request for aviation agreements between U.S. and Saudi airlines, CG and Pol/EconOff delivered Ref A to the president and vice president of the Saudi General Authority of Civil Aviation (GACA), Abdullah Rehaimi and Captain Mohammad Ali Jamjoom, proposing that the U.S. and the KSA enter into an Open Skies Agreement. Rehaimi accepted the proposal without hesitation and requested that negotiations begin in Washington on July 8-9. During the hour-long meeting Rehaimi described recent moves by GACA to reform and modernize the civil aviation sector in the KSA, including a move toward Open Skies arrangements with some neighboring countries. He said that the Council of Ministers has given advance approval for entry into similar agreements with countries outside the region beginning in late 2010. End summary.

[1](#)2. (C) In response to a December 24 note sent by the Saudi Embassy to the Department of State requesting permission from the Federal Aviation Administration to negotiate strategic market alliances -- including code sharing agreements -- between U.S. and Saudi carriers, ConGen delivered a demarche expressing the USG position favoring Open Skies Agreements. Bypassing any discussion of code-sharing, GACA President Rehaimi immediately voiced GACA's desire to negotiate an Open Skies Agreement and proposed that negotiations commence in Washington July 8-9.

[1](#)3. (C) During his nearly five-year tenure, Rehaimi, whose background is project finance, not aviation, has pushed through a number of measures aimed at modernizing civil aviation throughout Saudi Arabia. These include the licensing of two new carriers to compete with Saudia with more licenses expected to issue in the near future; the improvement and construction of new airport facilities; and the gradual opening of the market to outside competition. Rehaimi and Jamjoom told the CG that the Council of Ministers has given GACA authority to enter into Open Skies agreements in order to further bring the market into the international mainstream and to help satisfy the enormous unmet demand for air travel in this rapidly developing and growing country. Both men claimed that Saudi Arabia had already entered into an Open Skies Agreement with Egypt and that there were other such arrangements with countries in the neighborhood with more to follow. They added that the Council of Ministers has already granted them the authority to ink agreements with countries outside the region starting from the end of 2010. Rehaimi emphasized that he might be able to get an exception and move more quickly in a case where the economics of the deal benefited Saudi Arabia.

14. (U) Copies of the model Open Skies agreement text in English and Arabic were provided to GACA. GACA officials requested initial discussions in May with Pol/EconOff in order to convey back to the Department any preliminary questions raised by the model agreement terms and conditions.

We need to take YES for an answer, and quickly

15. (C) Comment: We think the Saudi offer is worth pursuing despite skepticism from several of our contacts. As an example, local business leader Musallam Musallam, Chairman of SKAB, an industrial conglomerate, recently told Pol/EconOff that during a dinner with a government Minister in the last week he was told the SAG would never enter into Open Skies agreements because they would drive Saudi Arabian Airlines out of business. The Minister denied that there were any completed Open Skies agreements between Saudi Arabia and other countries. GACA Captain Jamjoom subsequently confirmed that the SAG agreement with Egypt is not completely open, noting, for example, that it includes restrictions on low-cost carriers and prohibits Egyptian carrier flights to Medinah. He also confirmed what Musallam and others have said: that Saudia is expected to try to prevent SAG entry into Open Skies arrangements but that eventually these deals will happen because they are needed for the country in order to satisfy the demand for flights.

16. (C) Nevertheless, we remain optimistic about the chance

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of reaching an agreement on Open Skies, and we think this remains a goal the Department should pursue on a priority basis. The remarks of our pessimistic contacts in the preceding paragraph represent an accurate portrayal of the domestic opposition to an Open Skies Agreement that GACA will need to overcome. Nevertheless, senior GACA leaders are optimistic about reaching a mutually beneficial agreement.

17. (C) Beyond the symbolic value of U.S. carriers flying regularly into Saudi airports and loading and offloading passengers and the economic benefits to the United States an Open Skies agreement would return, we should not overlook the public diplomacy, political and economic reform benefits that would follow from such an accord. For his part, GACA Captain Jamjoom reiterated what Musallam and others have told us: Saudi Arabian Airlines is expected to try to prevent SAG entry into Open Skies arrangements, but eventually these deals will happen because they are needed for the country in order to satisfy the great and increasing demand for flights to, from, and within Saudi Arabia. End Comment.

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